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Committee Finance, Risk and Assurance Committee
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General Managers' report to the Finance, Risk and Assurance Committee, 10 March 2016

1. Purpose

To inform the Committee of Greater Wellington Regional Council (GWRC) activities relating to the Committee's areas of responsibility.

2. Corporate Services

Good progress continues to be made on improving processes and systems, which is creating capacity for higher value, customer focused activities and initiatives.

Progress has also been made developing ICT leadership, with effort now firmly centred on refreshing the strategy and technology roadmap. Improved resilience continues to be a focus with a project initiated to enhance recovery capabilities. Enhancements are also in progress to improve ICT prioritisation and management.

The new Programme Management Office (PMO) and Legal and Procurement functions are taking shape and both face the challenge of establishing the processes, while serving strong business demand for the services of both functions.

The first phase of the Shed 39 reconfiguration was successfully completed in December, adding twenty seats to help accommodate future requirements.

The GM Corporate Services / CFO has also taken on the role of Client Council Representative with Wellington Water, with a supporting team established.

2.1 Finance

2.1.1 Finance Summary

A number of initiatives have progressed with a focus on improvements that enable more effort to be spent on high value activities.

One such initiative over the last three months has been on a quick month end, enabling reporting to be completed earlier. In addition, new reporting formats have also been developed which are aimed at providing a clearer and more concise view of council financial performance.

Also during the period, considerable effort has gone into the 2016/17 budgeting and planning process, with the draft 2016/17 budget presented to council in late February.

Significant time was spent on the rail tender evaluation, and contract negotiations with the new operator. The Finance team will now begin assisting with the programme of work in preparation for the transition to the new operator.

An initial review was completed in December to assess the effectiveness of our current finance, HR and asset management systems. Significant opportunities have been identified for improvement and with ELT's endorsement, a business requirements process has commenced to further assess requirements and opportunities. A business case will be developed for the recommended option.

The Purchasing Cards project has continued to distribute cards, with the ELT next to start using them. The initiative has been well received and significant time savings for staff are expected as manual processes are replaced.

2.2 ICT

2.2.1 ICT Summary

The ICT effort is centred on refreshing the strategy and technology roadmap.

Good progress has also been made filling vacancies and strengthening leadership.

Key areas of focus include enhancing resilience, mobility and business readiness for PTOM / PTPP:

- Enhance Resilience
 - Improve backup, restore and replication capability
 - Provide ICT support for alternative BCP site
 - Improve number of staff able to remotely connect to the network
- Mobility
 - Complete the migration to Office 365
 - Upgrade to windows 10
 - Begin rollout of tablet PCs across the organisation

- Business Readiness for Reorganisation and PTOM / PTPP
 - Contact centre phone and CRM Systems.
 - Enhancements to Public Transport’s ICT systems (Mobile, Journey planner, web site, etc.)

The first phase of the sharepoint migration project (SPIEDO) was completed in February. During the project, the ICT team received valuable feedback from the business, which will feed into further enhancements of the system in mid 2016.

2.3 Treasury

2.3.1 Treasury Update

In December the Reserve Bank of New Zealand reduced the cash rate by 0.25% to 2.50%. This will assist us with our floating rate debt interest cost; however, our deposits will show lower returns later in the year when they come off fixed rate. Further reduction in the cash rate is a possibility but not something the Reserve Bank of New Zealand has indicated for the near future.

Council raised two tranches of \$25 million; one for 9.5 years (15 June 2025) and another for 8.5 years (15 June 2024). The margins were wider at 77.50 points (0.775%), and 86.75 points (0.8675%) than our issuance in September, which was at historical lows for 10 years at 52 points (0.52%). The increase in margin was due the recent decline in long term interest rates and the market nervousness over possible corporate failures stemming from the falls in commodity prices.

The reduction in interest rates has provided an opportunity to put in place further long term hedging given our rising debt levels going forward, even though our existing swaps market valuation deteriorated from around \$30 million in December to \$40 million today due to the recent fall in long term rates noted above.

Standard & Poor’s confirmed our AA long term and A1+ short term credit rating, with a stable outlook in December 2015.

We have commenced discussions with The Treasury over the repayment terms of our ten year Public Transport \$28 million zero interest loan, which is due for repayment in June 2017, with a resolution expected shortly.

2.3.2 WRC Holdings Update

PHL is presently being wound up and final accounts were prepared in December 2015. A special dividend of approximately \$1.5 million will likely be declared this year by WRC Holdings Limited.

WRC Holdings group is undertaking a review of its Directorship and Board make up as part of its strategic review.

This is likely to see a move to more external representation in line with best practice, which is advocated in a recent OAG report on Governance and Accountability in Council Controlled Organisations.

The outcome of this review being undertaken by Board Dynamics will be discussed and decided on by Council along with an update on the policy on appointment and remuneration of directors, and a review of directors' remuneration.

2.3.3 Insurance and other related matters

Our council has been leading an initiative to see if there is an opportunity to have a form of collective arrangement on the purchase of Harbourmasters and wreck removal liability insurance with a view to reducing premium costs. This process involved obtaining legal and expert insurance advice. The outcome of it all is to:

- See if Central Government might entertain a legislative change limiting our liability which is presently unlimited
- Require Harbourmasters to develop a nation-wide assessment tool to assess risk in order to determine the level of insurance cover
- After the above consider options of joint procurement and potentially a single policy for harbourmasters and wreck removal.

Work has been progressing on writing an Insurance Strategy document. The document is nearing completion but is being compromised by the Government initiative to place greater responsibility on councils to manage their own infrastructure insurance, rather than relying on the Government to meet 60% of any loss.

The final outcome is yet to be determined; however, Government is of the view that if there is commercial insurance available then councils should use this, with the cost to be worn by the rate payer. It appears Government will likely support less frequent events and more severe events rather than the more frequent less severe events. How this will all be resolved is yet to be determined but it is clear it will cost councils more. This additional cost could be significant.

2.3.4 Local Government Funding Agency

The LGFA listed its bonds on the NZX on 16 November, another milestone for the organisation. This allows easier access to the bonds by retail investors and will assist with their liquidity (ability to trade) and widen the investor base (both locally and internationally) of the bonds.

The LGFA completed its inaugural issuance of commercial paper (Debt issuance 90 days and out to one year) in December which has been well received and utilised by the smaller councils.

The Treasurer had his inaugural LGFA Board meeting with the LGFA in Auckland along with Linda Robinson, the other new Board appointee.

2.4 Legal and Procurement

2.4.1 Legal and Procurement Summary

In the Legal and Procurement Department, work to refresh the Council's procurement policy and develop supporting templates and guidance documents has commenced; a programme of meetings with external legal advisors has been set up; and the Department is coordinating asset management input to the review of the Council's financial system. A review of the Asset Management Policy is programmed for the next quarter.

The Department is involved in the work to develop and finalise the PTOM Bus contract and tender.

GWRC is now represented at the Local Government Strategic Procurement Group (now managed and sponsored by Wellington City Council, with other large and small councils across the country also represented), and on MBIE's Procurement Functional Leadership Advisory Group.

A separate report to this meeting provides a more comprehensive update on the Legal and Procurement Department.

2.5 Programme Management Office

The Programme Management Office (PMO) continues to develop functionality and services within its resource capability.

A portfolio view of projects across the business has been established and continues to be refined. Projects are now prioritised and ranked and a revised gated project approval process will be implemented. Major projects will be of particular focus for the PMO, providing the Executive with independent assurance of these projects. Progressively a review of all projects across the organisation to align current project management activities with best practice through health checks will be undertaken.

Through direct coaching and mentoring the PMO will continue to lift the level of project management capability and skills through professional education and PMO support. Development of a suite of templates to cover all stages of the project lifecycle is progressing and a review and update existing Project Management Policy will be done this year.

Development of a new centralised project progress reporting framework is also being developed in parallel to the other process initiatives.

3. People and Customer

The People and Customer Group continue to work across the organisation to provide specialist knowledge and expertise to our customers. The structural change to centralise these functions has provided excellent opportunities to view our services from an organisational perspective, maximise the synergies by bringing together complimentary functions and improve our work processes and efficiencies.

3.1 Human Resources

The metrics for monitoring our recruitment activity, turnover, gender and training and development are detailed in our performance report for the second quarter.

In addition to business as usual, the Department has been involved in designing the new document management system to enable managers and staff to store their personal information electronically rather than in a paper based filing system. All relevant contractual and personal information held on personal files has been scanned and saved into the new document management system.

The Department has worked closely with the Communications and Marketing Department to design and develop the Chief Executive's leadership programme. This programme will deliver outcomes for both departments. It will provide information to assist in developing our core values, which will be integrated into our Human Resources policies and systems. It will also assist the Communications and Marketing Department by developing our engagement framework.

3.2 Health and Safety

A summary of health and safety performance is detailed in a separate report to this Committee.

3.3 Customer Contact

The Customer Contact Department covers the centralised administration function and our organisational contact centre.

There have been a number of changes in our centralised administration function, including centralised catering, dedicated fleet management and facilities. A standardised approach has been developed for a number of processing activities which enables work to be allocated across our offices rather than relying on staff having capacity within a specific location. The reception for Shed 39 has been transferred to the Contact Centre and during the next quarter the reception for Mabey Road, Upper Hutt and Masterton will be transferred to the Contact Centre. The mail processing has moved from the Information Services team to the Administration team.

The Contact Centre has taken on a number of additional functions including reception for Shed 39, the Environmental Help Desk, info@gw email and social media channels. Staff within the Contact Centre are being upskilled to provide first resolution assistance to customers as part of our increased focus on providing excellent customer services.

3.4 Communications and Marketing

The Communications and Marketing Department continues to provide a wide range of services to our customers, including:

- Consultation on amendments to the LTP/Annual Plan
- Development of a Stakeholder Engagement framework for the organisation

- Reviewing and rationalising our surveys and research, including use of our Citizens Panel
- Delivering the Great Outdoors Summer Event programme
- Communications support for organisation wide projects and issues
- Engaging with the Kapiti community to develop appropriate access to Queen Elizabeth Park, particularly for users with disabilities
- Channels development/improvements/strategy development
- Leading a programme to capture customer/stakeholder views and expectations of the organisation.

An area of particular work for the team has been public transport. We have carried out extensive investigative and remedial work to the back-end of the Metlink website to ensure it is a one-stop for public transport information. This means changing the site from primarily a journey planner to an information rich, dynamic site that can take over all forms of customer messaging and updating when the Tranzmetro website is retired at the end of the current rail contract.

The team has organised and delivered several events for public transport including the hybrid electric bus, double decker diesel bus, opening of the Upper Hutt railway station and is currently planning the ceremonial signing event for the new rail contract. The Marketing and Communications team has developed, and is currently implementing, a communications plan for changes to rail and buses, including design for the livery of Metlink branded bus and uniforms, and changes to rail tickets.

4. The decision-making process and significance

No decision is being sought in this report.

4.1 Engagement

Engagement on this matter is unnecessary.

5. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*

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